



FOR THE YEAR ENDED DECEMBER 31.

AGNICO MINES LTD.

**ANNUAL
REPORT**

1970

MERGED, 1972, WITH EAGLE GOLD MINES LTD
TO BECOME AGNICO-EAGLE MINES LTD



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AGNICO MINES LIMITED

(Incorporated under the laws of the Province of Ontario)

Executive and Head Office	Suite 1101, 365 Bay Street Toronto, Ontario
Mine Office	Cobalt, Ontario
Directors	ARCHIE BASEN SAMUEL GELLER WILLIAM HOGARTH, Jr. PAUL PENNA NORMAN B. SHERIFF JOHN L. VORBACH, Jr.
Officers	NORMAN B. SHERIFF, <i>President</i> PAUL PENNA, <i>Vice-President and Managing Director</i> JEAN GELLER, <i>Secretary-Treasurer</i>
Mine Manager	GORDON W. KIRK
Consulting Geologist	W. A. HUBACHECK, B.Sc., P.Eng.
Transfer Agent and Registrar	Guaranty Trust Company of Canada Toronto, Ontario
Auditors	Starkman, Kraft, Rothman, Berger & Grill Chartered Accountants Toronto, Ontario
Bankers	Canadian Imperial Bank of Commerce Toronto, Ontario (City Hall Branch)
Shares Listed	Toronto Stock Exchange, Toronto, Ontario Canadian Stock Exchange, Montreal, Quebec
Annual Meeting	April 29, 1971, 10:30 in the forenoon (Toronto Time) Royal York Hotel 100 Front Street West Toronto, Ontario

DIRECTORS' REPORT

To the Shareholders:

The Directors present the audited financial statements of the Company for the year ended December 31, 1970 and also the report of the Mine Manager which provides details of mine operations, development and exploration results for this period. The following is a review of these reports.

Financial

Gross value of metals produced during the year at the Company's mines in the Cobalt area of Ontario amounted to \$1,887,725 compared with \$1,576,829 the previous year. Cash flow from operations, which includes custom milling, royalty and sundry income items, totalled \$663,880 compared with \$441,511 in 1969.

Additional income, representing the profit from the sale of securities, amounted to \$66,034. The corresponding figure in 1969 was \$50,454. Net income for the year was \$372,021 compared with \$130,408 in 1969. The 1969 figure includes an extraordinary charge of \$55,181 resulting from a loss on the sale of investment in shares of Eagle Gold Mines Limited subsequent to the 1969 year end.

Production

Ore treated in the Penn Mill from the Company's Cobalt area properties during 1970 amounted to 64,695 tons from which a total of 1,070,031 ounces of silver was recovered.

The tailings mill was not in operation during the year owing to the decision to defer the treatment of this lower grade material pending an improvement in silver prices which would enable a more economic profit margin.

In 1969 a total of 35,525 tons of ore from the Cobalt area properties and 1,215 tons of custom ore were treated in the Penn Mill from which a total of 573,676 ounces of silver was recovered. During 1969 the tailings mill treated 151,323 tons from which a total of 271,311 ounces of silver was recovered. The combined output of these two units was 844,987 ounces of silver.

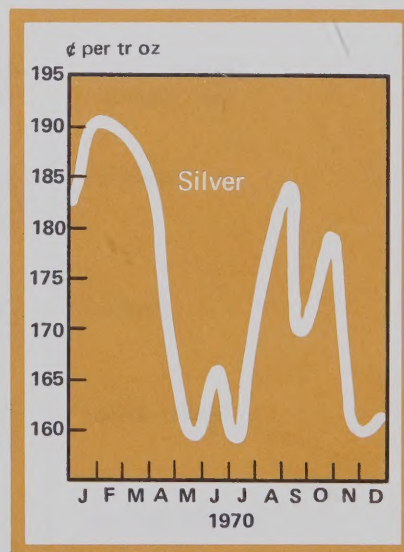
The principal sources of silver production during 1970 were the 96 Shaft, Penn Canadian Mine and the leased Glen Lake Mine. The 96 Shaft accounted for 62% of the total silver production during the year.

The following table records the silver production from the Company's properties for the past five years and the average price received for silver in the respective year:

Year	Total Ounces of Silver Produced	Average Price Per Ounce
1966	802,151	\$1.35
1967	668,921	\$1.86
1968	583,126	\$2.16
1969	844,987	\$1.87
1970	1,070,031	\$1.76

As shown in the financial statement, your Company had an inventory of silver bullion at the year end valued at \$432,824. Stockpiling of silver bullion from mine operations commenced during August in the expectation of higher prices for silver which was widely predicted to follow on the completion of the final U.S. Treasury sale of this metal on November 10, 1970.

For a variety of reasons, but principally attributed to selling by speculative holders, silver prices dropped sharply after the final U.S. Treasury sale, dipping to approximately \$1.61 on December 10 and then recovering moderately to close the year at approximately \$1.66 per ounce. The erratic pattern of silver prices is demonstrated in the chart below (prices shown are in U.S. funds and based on Handy & Harman's weekly average prices).



For accounting purposes, silver production is taken into income as produced and valued at the then prevailing silver prices. As a considerable

portion of the inventory of silver bullion was priced at levels higher than that prevailing at the year end there was an adjusting charge (provision for decline in net realizable value of silver bullion inventory) of \$41,657 in the statement of income.

In an effort to combat rising costs and more effectively utilize the capacity of the Penn Mill, a decision was made to operate the mill over a shorter period during 1971. The Penn Mill has a design capacity of 500 tons per day while the average ore throughput rate in 1970 was approximately 250 tons per operating day or about 50% of capacity.

It is hoped that a significant reduction in ton unit costs can be achieved by operating the mill at higher throughput rates. Accordingly, at the end of January of 1971, ore is being stockpiled for later treatment in the mill.

Exploration and Development

Details of the exploration and development work at the Company's properties during the year are contained in the Mine Manager's report. As noted, the 96 Shaft was the major production unit in 1970. It is interesting to recall that when this unit was brought into production during 1969 it was anticipated that the three then known development areas would yield some 320,000 ounces of silver.

To date, the 96 Shaft has provided more than 850,000 ounces with development and exploration continuing to indicate further potential.

In 1969 the shaft and hoisting facilities of the Glen Lake Mine were rented to gain access to the adjoining Penn Canadian Mine. This unit came into production during the latter part of 1969 and to the end of 1970 has yielded well in excess of 400,000 ounces of silver.

The Glen Lake Mine property was leased in April of 1970 and commenced producing ore during the summer. At year end, three stopes were being worked, one of which was producing better than average grade of ore.

The most significant development during 1970 was the new high grade silver discovery at the leased Trout Lake No. 2 Shaft Property in South Lorrain Township, about 30 miles south of Cobalt. This rich ore shoot which was located by an exploratory hole drilled from a drift on the 850-ft. or bottom level of the mine, has been tested by a number of drill holes and mining is scheduled to commence early in 1971.

In addition, diamond drilling below the 850-ft. level has indicated two more potential ore zones that require further drilling. The No. 10 vein has been

tested by several holes including 85-21 obtaining an intersection assaying 768.1 ounces over 0.9 feet or 211.1 ounces over 2.2 feet at approximately 20 feet below the Keewatin-Diabase contact and 200 feet below the 850-ft. level. Hole 85-22, which was drilled on the same line as 85-21, intersected the No. 10 vein about 28 feet above the previous intersection. The vein and wallrock assayed 585.4 ounces over 2.0 feet.

As outlined in the Mine Manager's report, among the future exploration targets, plans are being made to thoroughly explore the lower contact of the Nipissing Diabase sill in the area of the Company's Temiskaming, Cobalt Lode and Christopher properties. These properties are designated as Group No. 7 and No. 8 in the appended map.

There has been a combined production of 34,800,000 ounces of silver from the upper contact in this area while the lower contact has been unexplored except for a limited amount of drifting in the area of the Temiskaming Shaft. This area holds great promise for future production.

Eagle Gold Mines Limited

Your Company's 1969 annual report outlined the series of transactions resulting in the purchase of \$800,000 principal amount of debentures of Eagle Gold Mines Limited accompanied by warrants to purchase 800,000 treasury shares exercisable at \$1.00 per share to June 1, 1973 and at \$1.50 per share from June 2, 1973 to June 1, 1975.

During the year ended December 31, 1970 and up to February 15, 1971, your Company loaned Eagle Gold Mines Limited \$191,000. These borrowings have since been repaid with interest of approximately \$7,000. During March of 1971, Eagle Gold Mines Limited issued in two separate transactions, 100,000 treasury shares at \$2.00 per share and a second block of 100,000 shares at \$2.25 per share to net the treasury the sum of \$425,000. These shares were purchased for investment purposes by Mentor Exploration and Development Co., Limited.

During January of 1971, Eagle Gold Mines Limited announced it had acquired control of a group of 34 claims adjoining its gold property in Joutel Township, Quebec, from Mining Corporation of Canada (1964) Ltd., a wholly owned subsidiary of Noranda Mines Limited. These claims are held by Telbel Mines Limited which is now a subsidiary of Eagle Gold Mines Limited.

These claims were acquired to provide protection along the projected southeasterly rake of the main gold orebody of Eagle Gold Mines Limited. Under-

ground work indicates that the east end of the orebody enters this newly acquired ground at about the 1,300-ft. horizon. Assuming the ore zone on the Eagle property continues to depth and maintains its present rake, the west end of the orebody would enter these new claims at approximately 3,700 feet.

On the main property of Eagle Gold Mines Limited there is some 4,000 feet of total strike length west from the present underground workings to the property boundary. The newly acquired claims provide an additional 8,000 feet of strike length along the main gold bearing structure. This acquisition is considered to be advantageous to Eagle Gold Mines Limited in its future plans to bring the mine into production when economic conditions, principally an increase in the price of gold to suitable levels, are more favourable.

As previously reported, Eagle Gold Mines Limited decided to defer bringing its gold mining property into production in view of increased cost estimates and currently existing market prices for

gold. The company has discontinued construction of its required mining facilities and placed its property on a care and maintenance basis. To date, Eagle Gold Mines Limited has expended \$4,024,862 in fixed assets and \$5,009,292 in deferred expenses in connection with this program.

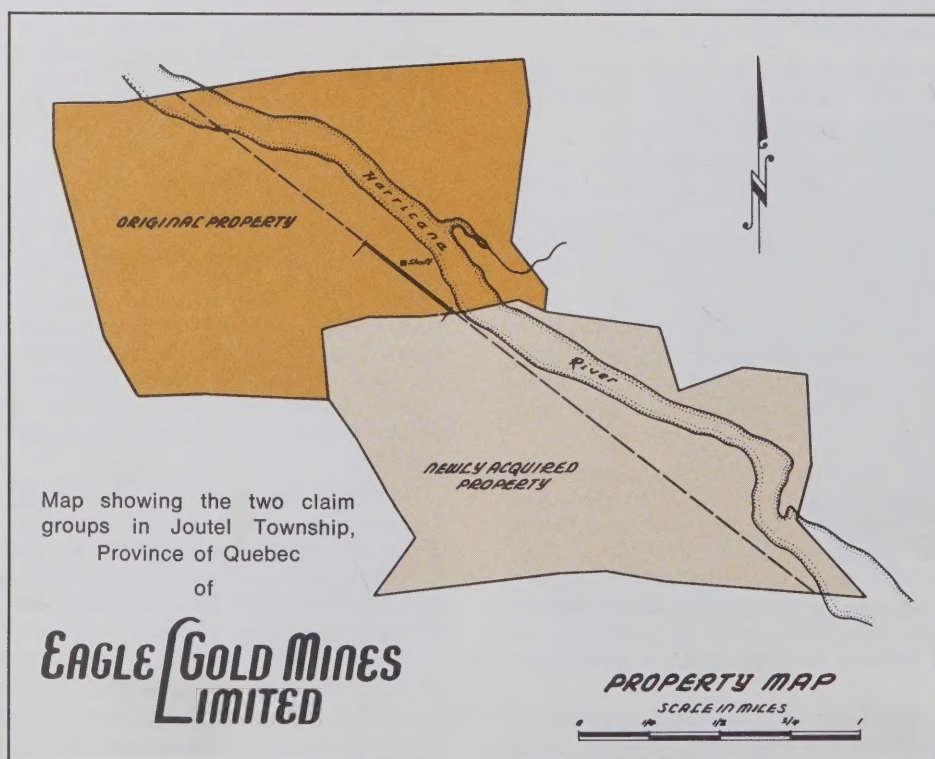
Acknowledgements

The capable work of the technical personnel, mine employees and consultants, and the continued loyal support of the shareholders is gratefully acknowledged by the Directors.

On behalf of the Board of Directors,

"PAUL PENNA"
Managing Director

March 18, 1970



ALL MAPS ARE DRAWN FROM INFORMATION BELIEVED TO BE RELIABLE BUT INDIVIDUAL OWNERSHIP AND EXACT LOCATIONS ARE NOT CERTIFIED. THIS MAP IS NOT TO BE REPRODUCED IN ANY MANNER EITHER IN WHOLE OR IN PART WITHOUT THE WRITTEN PERMISSION OF . . . W. LANGRIDGE, JR.

LANGRIDGE LIMITED

March 31, 1969

LEGEND

No. Group

Claim or Property Names

1. COBALT LAKE GROUP

Buffalo
Townsite
City of Cobalt
Right-of-Way, N. & S.
McKinley Darragh
Cobalt Lake

2. O'BRIEN GROUP

O'Brien Main
Nip. 402 (North)

3. NIPISSING MAIN GROUP

4. CART LAKE GROUP

Nip. 406
Kendall
Little Silver

5. NIPISSING 407 GROUP

Nip. 407
Nip. 408
Penn Canadian
Michigan Cobalt

6. NIPISSING EAST GROUP

Nipissing East Claims
O'Brien East Claims
Colonial

7. LODE-CHRISTOPHER GROUP

Adanac
Columbus

8. BEAVER TEMISKAMING GROUP

Temiskaming
Gifford
Quaker City

9. FOSTER

Mill Site

10. CROWN RESERVE

11. FARAH

12. AGAUNICO GROUP

(Not shown on map)

Agaunico
Ruethel

13. DOTSEE

"

Yorkshire Cobalt

14. GILGREER

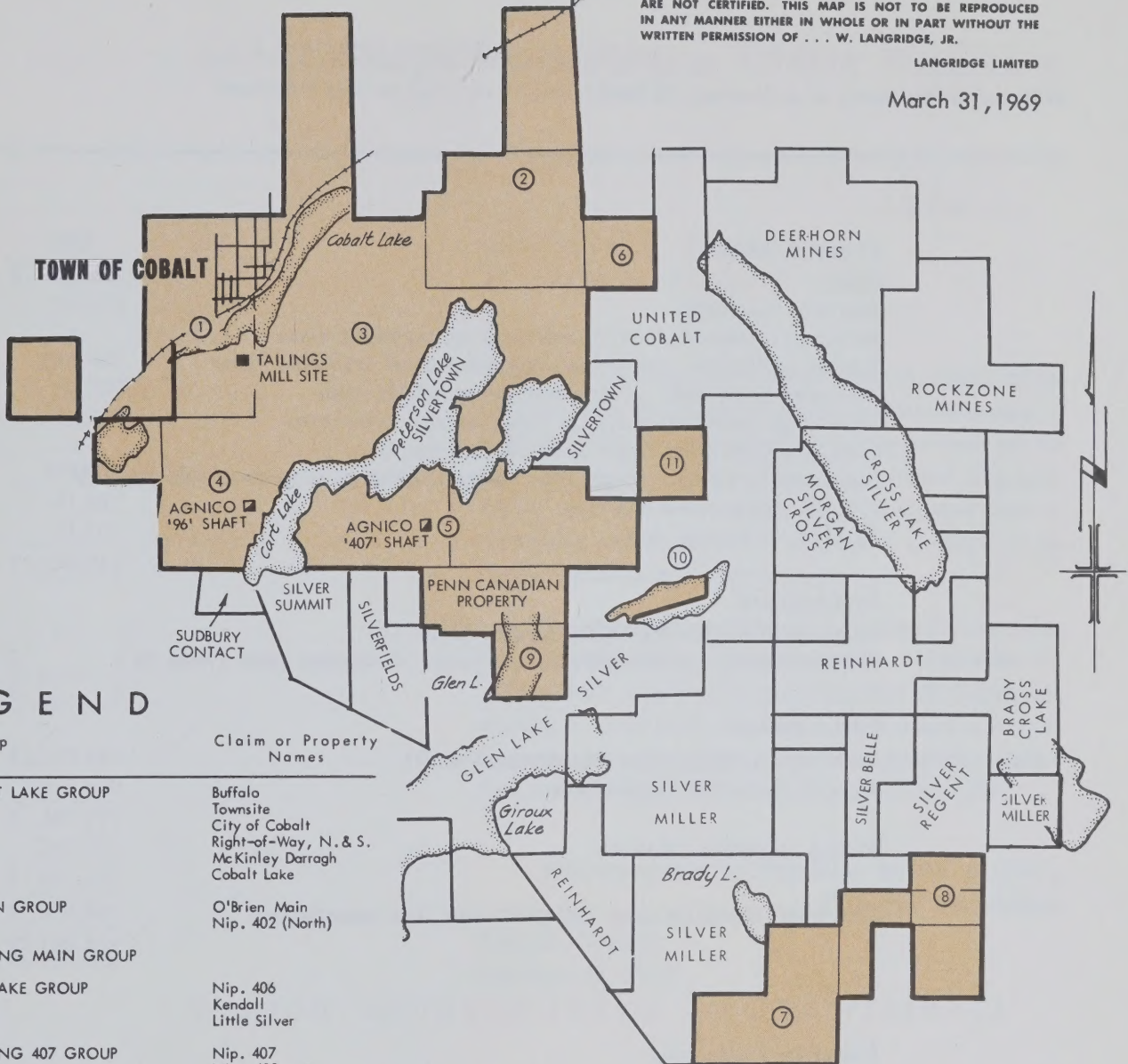
"

Canadian Lorraine

15. KEYLODE

"

Currie
Wettlauffer



AGNICO MINES LIMITED

HOLDINGS in the COBALT SILVER AREA

ONTARIO

0 1 mile

BALANCE SHEET *as at December 31, 1970*

(With comparative figures as at December 31, 1969)

ASSETS

CURRENT ASSETS

Cash
Accounts receivable
Inventory of silver bullion, at estimated net realizable value
Smelter settlements outstanding, at estimated net realizable value
Concentrates on hand, at estimated net realizable value
Marketable securities, at market value which is below cost
Loan receivable from Eagle Gold Mines Limited
Investment in shares of Eagle Gold Mines Limited, at subsequent sale proceeds
Prepaid expenses and deposits
Supplies, at average cost

INVESTMENTS

Securities of Eagle Gold Mines Limited (Note 1)
Shares of wholly-owned subsidiary companies, at nominal value (Note 2)

FIXED ASSETS

Buildings, machinery and equipment (Note 3)
Less: Accumulated depreciation

Mining properties (Note 4)

DEFERRED DEVELOPMENT EXPENDITURES, less amortization
--

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES

Bank indebtedness, secured by silver bullion and a general assignment of book debts
Accounts payable and accrued liabilities

SHAREHOLDERS' EQUITY

Capital Stock
Authorized — 5,000,000 shares, par value \$1 each
Issued and Fully Paid — 3,434,327 shares
Less: Discount thereon

Deficit

The accompanying notes form an integral part of these financial statements.

AGNICO MINES LIMITED

(Incorporated under the laws of the Province of Ontario)

1970	1969
—	\$ 65,429
\$ 54,172	22,972
432,824	—
451,490	688,847
10,437	50,750
4,752	12,252
111,000	—
—	289,027
47,268	41,633
27,356	21,101
<u>\$1,139,299</u>	<u>\$1,192,011</u>
\$ 800,000	—
2	\$ 2
<u>\$ 800,002</u>	<u>\$ 2</u>
\$2,188,749	\$2,172,447
2,090,711	1,911,670
\$ 98,038	\$ 260,777
341,061	341,061
<u>\$ 439,099</u>	<u>\$ 601,838</u>
<u>\$ 363,983</u>	<u>\$ 334,600</u>
<u>\$2,742,383</u>	<u>\$2,128,451</u>
\$ 321,442	\$ 100,000
106,291	85,822
<u>\$ 427,733</u>	<u>\$ 185,822</u>
\$3,434,327	\$3,434,327
1,053,650	1,053,650
<u>\$2,380,677</u>	<u>\$2,380,677</u>
66,027	438,048
<u>\$2,314,650</u>	<u>\$1,942,629</u>
<u>\$2,742,383</u>	<u>\$2,128,451</u>

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Agnico Mines Limited as at December 31, 1970 and the statements of income, deficit and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1970 and the results of its operations and the source and application of its funds for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

STARKMAN, KRAFT, ROTHMAN, BERGER & GRILL,
Chartered Accountants.

Toronto, Ontario,
February 12, 1971.

Approved on behalf of the Board of Directors:

PAUL PENNA, Director.

NORMAN B. SHERIFF, Director.

AGNICO MINES LIMITED

STATEMENT OF INCOME

For the year ended December 31, 1970

(With comparative figures for the year ended December 31, 1969)

REVENUE	1970	1969
Production of metals	\$1,887,725	\$1,576,829
Less: Marketing expenses	\$ 155,764	\$ 109,094
Provision for decline in net realizable value of silver bullion inventory	41,657	—
	\$ 197,421	\$ 109,094
	\$1,690,304	\$1,467,735
Royalty income	52,796	62,817
Custom milling	—	5,711
	\$1,743,100	\$1,536,263
EXPENSES		
Mining and development	\$ 750,337	\$ 555,555
Milling	245,498	459,837
Transportation of ore	44,274	35,882
Administration	99,768	59,880
Depreciation — tailings mill	139,071	138,148
— other	40,773	52,555
Amortization of deferred development expenditures	177,049	115,673
	\$1,496,770	\$1,417,530
Less: Sundry income	\$ 59,657	\$ 16,402
Profit on sale of securities	66,034	50,454
	\$ 125,691	\$ 66,856
	\$1,371,079	\$1,350,674
INCOME BEFORE EXTRAORDINARY ITEM	\$ 372,021	\$ 185,589
Loss on subsequent sale of investment in shares of Eagle Gold Mines Limited	—	55,181
NET INCOME FOR THE YEAR (Note 5)	\$ 372,021	\$ 130,408
EARNINGS PER SHARE		
Income before extraordinary item	11¢	5¢
Net income for the year	11¢	4¢

STATEMENT OF DEFICIT

For the year ended December 31, 1970

(With comparative figures for the year ended December 31, 1969)

	1970	1969
BALANCE, beginning of year	\$ 438,048	\$ 568,456
Net income for the year	372,021	130,408
BALANCE, end of year	\$ 66,027	\$ 438,048

The accompanying notes form an integral part of these financial statements.

AGNICO MINES LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the year ended December 31, 1970

(With comparative figures for the year ended December 31, 1969)

	1970	1969
SOURCE OF FUNDS		
From Operations		
Income before extraordinary item	\$ 372,021	\$ 185,589
<i>Add:</i> Items not involving a current outlay of funds		
Depreciation — tailings mill	139,071	138,148
— other	40,773	52,555
Amortization of deferred development expenditures	177,049	115,673
	<u>\$ 728,914</u>	<u>\$ 491,965</u>
Disposal of fixed assets	101	3,482
Subsequent sale of investment in shares of Eagle Gold Mines Limited	—	289,027
	<u>\$ 729,015</u>	<u>\$ 784,474</u>
APPLICATION OF FUNDS		
Deferred development expenditures	\$ 206,432	\$ 251,735
Purchase of fixed assets	17,206	99,126
Investment in securities of Eagle Gold Mines Limited (Note 1)	800,000	—
Investment in shares of Eagle Gold Mines Limited	—	79,048
	<u>\$1,023,638</u>	<u>\$ 429,909</u>
INCREASE (DECREASE) IN WORKING CAPITAL	<u>\$ (294,623)</u>	<u>\$ 354,565</u>
WORKING CAPITAL, beginning of year	<u>1,006,189</u>	<u>651,624</u>
WORKING CAPITAL, end of year	<u><u>\$ 711,566</u></u>	<u><u>\$1,006,189</u></u>

The accompanying notes form an integral part of these financial statements.

AGNICO MINES LIMITED

NOTES TO FINANCIAL STATEMENTS

December 31, 1970

1. SECURITIES OF EAGLE GOLD MINES LIMITED

The company has invested in securities of Eagle Gold Mines Limited (Eagle) consisting of \$800,000 in Eagle debentures and warrants to purchase 800,000 shares. The debentures are due on June 1, 1975, bear interest at the rate of 1½ % above a Canadian Chartered Bank prime interest rate in effect from time to time, and are secured by a first charge on all the real and immovable property of Eagle. The warrants are exercisable at \$1 per share to June 1, 1973 and at \$1.50 per share thereafter to June 1, 1975.

2. SUBSIDIARY COMPANIES

The accounts of the subsidiaries, Cobalt Properties Limited and Medusa Mines Limited, have not been consolidated herein because the companies are inactive.

3. BUILDINGS, MACHINERY AND EQUIPMENT

Buildings, machinery and equipment are valued on the basis of an appraisal made by Dominion Appraisal Company Limited on May 8, 1953, with subsequent additions at cost.

4. MINING PROPERTIES

Mining properties acquired at the time of incorporation of the company are carried at a nominal value of \$1. Subsequent additions are at cost.

5. INCOME TAXES

No provision for income taxes is required because of deductions available for tax purposes.

6. OTHER STATUTORY INFORMATION

Aggregate direct remuneration of directors and senior officers (as defined by The Corporations Act) is \$91,794.

MANAGER'S REPORT

The President and Directors,
Agnico Mines Limited,
Suite 1101 — 365 Bay Street,
TORONTO 1, Ontario.

February 24, 1971.

Gentlemen:

I am pleased to submit the following report covering the operations of Agnico Mines Limited for the year ended December 31st, 1970.

PRODUCTION

Production during the year was provided by 96 Shaft, Penn Canadian Mine and the leased Glen Lake Mine. The combined production totalled 1,070,031 ounces of silver which reflects an increase of 225,044 ounces from 1969. Production was mainly from 96 Shaft which accounted for 62% of the total.

The following is a comparative summary of the main production items:

	1970	1969
Ounces silver produced	1,070,031	844,987
Pounds cobalt produced	56,182	78,660
Gross value of metals sold	\$1,887,724	\$1,576,829
Gross value per ounce of contained silver	\$1.76	\$1.87
PENN MILL		
Total tons milled from company properties	64,695	35,525
Custom ore milled	—	1,215
Total tons milled	64,695	36,740
Total tons hoisted	52,743	35,307
Calculated head ounces silver/ton	17.28	17.14
Recovery ounces silver/ton	16.54	16.12
Extraction efficiency	95.72%	94.05%

EXPLORATION AND DEVELOPMENT

96 SHAFT — Exploration has resulted in the discovery of several small ore zones which have been developed and mined during the year. The main silver production came from highgrade stopes previously developed on the lower levels.

A decline haulageway will be driven to develop a silver zone located some 60 feet beneath the third level in an isolated area north of the shaft.

The diamond drill programme continues to probe the favourable cobalt sediments with limited success. As old workings are rehabilitated, exploration drilling is making a thorough test in the area north of the shaft.

PENN CANADIAN MINE — The initial development work on this property resulted in production from a rich silver vein. Diamond drilling in the old workings has intersected the extension of former producing veins which have developed into small but rich production zones on the 4th and 5th levels.

GLEN LAKE MINE — The shaft and hoisting facilities were rented in 1969 to gain access to the adjoining Penn Canadian Mine, and in April 1970 the property was leased for the purpose of carrying out mining operations.

Diamond drilling and development work has been successful in turning up ore shoots in and adjacent to former producing zones. A fair tonnage of lowgrade ore is being produced from this unit to supplement the higher grade ore derived from the other units.

TROUT LAKE #2 SHAFT — The extensive diamond drill programme started in 1969 met with success in June of this year. A new highgrade silver discovery was made on the bottom or 850' level. The rich ore shoot is in Keewatin just above the Nipissing Diabase sill and is accessible from the bottom level. It is planned to start mining early in 1971 as soon as a second air compressor has been intalled to supply adequate compressed air for both production work and exploration drilling.

Diamond drilling beneath the 850' level has indicated two more potential ore zones that require further drilling.

The main north-south vein has potential in the winze area which will be fully explored when a suitable drill station has been established.

The following is a tabulation of this exploration and development:

	1970 Footage	Unit Cost	1969 Footage	Unit Cost
Crosscutting and Drifting	2,460.0	\$41.43	3,720.5	\$43.39
Raising	1,437.1	23.14	1,076.5	23.77
U/G Diamond Drilling	50,127	4.39	48,597	3.85
Surface Diamond Drilling	8,086	5.75	4,140	6.61

FUTURE EXPLORATION

Plans are being made to thoroughly explore the lower contact of the Nipissing Diabase sill in the area of Agnico's Temiskaming, Cobalt Lode and Christopher properties. There has been a combined production of 34,800,000 ounces of silver from the upper contact in this area while the lower contact has been unexplored except for a limited amount of drifting in the area of the Temiskaming Shaft. This area holds great promise for future production.

GENERAL

TAILINGS PROJECT — It was considered to be uneconomic to operate the tailings mill this year due to the lower price received for silver.

CONCENTRATE TREATMENT — Notice has been received from Cobalt Refinery that concentrates will no longer be processed after March 31, 1971. Negotiations for a contract with another refinery are being carried out.

In conclusion, I wish to extend my appreciation to the Board of Directors, staff and employees for their co-operation and assistance throughout the year.

Respectfully submitted,

G. W. KIRK, P.Eng.,
Manager.



A



FOR THE PERIOD ENDED JUNE 30

Sub

AGNICO MINES LTD.

**SEMI
ANNUAL
REPORT 1970**

AGNICO MINES LIMITED

Executive and Head Office
Suite 1101, 365 Bay Street — Toronto, Ontario

To the Shareholders:

Your Directors are pleased to report the operating results for the six months ended June 30, 1970. A statement of income for this period and comparative figures for the corresponding six months in 1969, together with the statement of source and application of funds, is attached.

Operations

Ore treated during the six months ended June 30, 1970, totalled 35,860 tons from which a total of 640,255 ounces of silver was produced. The comparative totals for the corresponding period in 1969 were 56,923 tons treated and silver production of 386,651 ounces.

It is noted that the tailings retreatment plant is not being operated this year and this is reflected in the reduced tonnage treated in the mill compared with that during the corresponding period last year when 30,698 tons came from the tailings.

A decision was made to defer operation of the tailings plant pending an improvement in silver prices which would enable a more economic profit margin in treating this lower grade material. The approximate 65% increase in silver production during the six months ended June 30, 1970 compared with that of the same period last year reflected the higher average grade of ore treated.

The principal sources of silver production during this period under review were the Penn Canadian and the 96 Shaft properties. These two production units continue to respond favorably to exploration and development.

Financial

Gross value of metals produced during the six months ended June 30, 1970, amounted to \$1,133,993 an increase of approximately 70% from the figure for the corresponding period last year.

Concentrate shipments have been curtailed during the past three months in anticipation of an improve-

ment in silver prices. Refined silver and silver contained in concentrates stockpiled at August 19, 1970, totalled in excess of 250,000 ounces.

For accounting purposes, silver production is taken into income as produced and valued at the then prevailing silver prices as if all concentrates are marketed. The average price received for silver produced during the six months ended June 30, 1970, including silver taken into income at market value but held in inventory, was \$1.74 per ounce. The quoted price for silver on August 18, 1970, was \$1.87 per ounce.

Cash flow from mining operations and including sundry and royalty income for the six months ended June 30, 1970, was \$550,761, an appreciable increase from the corresponding figure for the same period in 1969. Net income for the period under review was similarly improved, amounting to \$350,885 compared with \$100,311 in 1969.

Trout Lake No. 2 Shaft Property

A new high grade silver discovery of apparent considerable potential has been made at this leased property in South Lorrain Township, about 30 miles south of Cobalt, Ontario. Late in June, an exploratory hole drilled from a drift on the 850' or bottom level of the Trout Lake No. 2 Shaft, intersected a well mineralized cobalt-silver vein. This find was made in a previously untested area of the mine.

The discovery hole, No. 85-34, drilled horizontally in a westerly direction from the drift, cut the vein almost parallel to the vein, returning the following assays:

Footage	Intersection	Ounces Silver per Ton	Description
68.0' to 69.4'	1.4'	21.8	Wallrock
69.4' to 71.4'	2.0'	3,769.9	Vein
71.4' to 73.1'	1.7'	160.8	Wallrock
73.1' to 75.1'	2.0'	128.4	Wallrock
75.1' to 77.7'	2.6'	4,306.5	Vein
77.7' to 78.9'	1.2'	632.8	Wallrock

Diamond drilling, consisting of a series of holes to systematically probe this structure to determine the horizontal and vertical extent of the ore zone preparatory to planned drifting and development, is now in progress.

continued on page 7

STATEMENT

(UN)

For the Six Months

(With comparative figures for

TONS OF ORE TREATED

Silver — ozs.

Cobalt — lbs.

Copper — lbs.

GROSS VALUE OF METAL PRODUCTION

Deduct marketing expenses

Royalty income

Custom milling

OPERATING EXPENSES

Mining and development

Milling

Transportation of ore

Administration

Less sundry income

INCOME BEFORE UNDERNOTED ITEMS

Profit on sale of securities

DEPRECIATION

Tailings Mill

Other

AMORTIZATION OF DEFERRED DEVELOPMENT

Net Income for Period

Earnings per Share

(a) Includes 30,698 tons treated in tailings mill

OF INCOME
(ADDED)

Ended June 30, 1970

(Six months ended June 30, 1969)

	Six Months Ended June 30 1970	1969
	35,860	(a) 56,923
	640,255	386,651
	28,220	37,455
	28,979	29,665
	\$1,133,993	\$ 666,574
	76,795	52,609
	<u>\$1,057,198</u>	<u>\$ 613,965</u>
	30,245	11,605
	—	5,707
	<u>\$1,087,443</u>	<u>\$ 631,277</u>
	\$ 354,902	\$ 194,874
	127,270	182,086
	26,474	19,059
	44,406	32,442
	<u>\$ 553,052</u>	<u>\$ 428,461</u>
	16,370	12,005
	<u>\$ 536,682</u>	<u>\$ 416,456</u>
	\$ 550,761	\$ 214,821
	55,795	—
	<u>\$ 606,556</u>	<u>\$ 214,821</u>
	69,074	46,583
	18,576	22,596
	168,021	45,331
	<u>\$ 255,671</u>	<u>\$ 114,510</u>
	<u>\$ 350,885</u>	<u>\$ 100,311</u>
	10¢	3¢

AGNICO MINES LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS (UNAUDITED)

For the Six Months Ended June 30, 1970
(With comparative figures for the
six months ended June 30, 1969)

	1970	1969
SOURCE OF FUNDS		
Net income for the period	\$ 350,885	\$ 100,311
Add: Items not involving a current outlay of funds		
Amortization of deferred development expenditures	168,021	45,331
Depreciation—tailings mill	69,074	46,583
—other	18,576	22,596
	<u>\$ 606,556</u>	<u>\$ 214,821</u>
APPLICATION OF FUNDS		
Purchase of fixed assets	\$ 4,211	\$ 74,301
Deferred development expenditures	76,152	169,115
Purchase of debenture — Eagle Gold Mines Ltd.	800,000	—
	<u>\$ 880,363</u>	<u>\$ 243,416</u>
(DECREASE) IN WORKING CAPITAL	<u>\$(273,807)</u>	<u>\$ (28,595)</u>
WORKING CAPITAL, beginning of period	<u>1,006,189</u>	<u>640,394</u>
WORKING CAPITAL, end of period	<u>\$ 732,382</u>	<u>\$ 611,799</u>



The Trout Lake No. 2 Shaft property is bordered on the north by the former producing Keeley Frontier property and on the east by your Company's Wetlaufer and Curry properties. The Trout Lake has a shaft to the 350 foot level with a winze continuing another 500 feet in depth to the 850' or bottom level.

Eagle Gold Mines Limited

In connection with the Company's recent investment in Eagle Gold Mines Limited, comprising \$800,000 principal amount of debentures with accompanying warrants to purchase 800,000 shares of that company, your Directors wish to announce that Eagle Gold Mines Limited has recently effected a settlement of all monies owing to its suppliers, thereby securing its assets consisting of the plant and existing facilities as well as the value of the ore body at the Joutel Area gold property.

On behalf of the Board of Directors

"PAUL PENNA"

Managing Director

August 24, 1970

AR05

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